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A Comparative Study on International Marketing Mix in China and India: The Case of McDonald's

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Abstract

This study examines the international marketing mix done by the McDonald's in two different important markets. The objective is to analyze and understand the similarities and differences of the international marketing mix strategy implementation by the company. Using comparative analysis, this study focused on 4P approach of marketing mix which is based on product, price, promotion and place analysis. McDonald's marketing strategy in China and India were used for this study. The study found that the McDonald's has adopted different kind of its 4P in their international marketing mix based on both, localization and globalization approaches.

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1. International Marketing Mix

According to Sheth & Parvatiyar (2001), the area of international marketing provides three comparative determinants for understanding of marketing practices by firms. The first is the so-called comparative descriptions which explain how marketing is carried out in different countries; the second determinant is comparative explanations that describe the structural determinants attached to country differences; and the third is the comparative prescriptions on how a country is positioning itself to specific marketing strategies and operations by multi-domestic firms. The main focus is on description,

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explanation, and managerial control of marketing practices across national boundaries (Toyne, 1989). Many authors believed that current international marketing will later be substituted by an integrated global marketing and, in the process, it will have a two-dimensional shift (Sheth & Parvatiyar, 2001; Gronroos, 1994). The first is to integrated marketing will focus more on cross-functional integration and coordination and less on functional adjustments across national boundaries. The second shift will focus more on transnational similarities for target markets across national boundaries and less on international differences.

The concept of the marketing mix and the 4Ps – product, price, place and promotion – entered into academic discussion around 1960s. According to Gronroos (1994), the marketing mix built from a concept of the marketer as a “mixer of ingredients” that plans various means of competition and blends them into a “marketing mix” so that a profit function is optimized, or rather satisfied. Yoo, *et al.* (2000) studied the important of marketing mix in relation to the creation of brand equity. Their study focused on elements of price, store image, distribution intensity, advertising, and price promotion. They found that elements of marketing mix have either positive or negative relationship to brand equity.

According to Riyad & Myfanwy (2002), in the electronic age, the Internet plays significant roles in international marketing. Firstly, the international Internet marketing has changed some elements of the marketing mix. The key is to be more interactive in strategy. Secondly, the Internet provides a fundamentally different environment for international marketing and requires a different approach. Consequently, a new international marketing prototype may have to be able to explain the international marketing in the digital era. In this case, we study McDonald’s as the world’s largest chain of fast food restaurant and as it has successfully built its global standardization as its value of products as pointed out by Martin (2000), and McDonald’s marketing mix strategies in China and India become our main focus.

1.1. International Franchising and McDonald’s

The fast growth of franchise operations in emerging economies such as China and India is beeping a strong sound to well-established franchises and newly-established franchises alike that international franchising is remaining preferred. According to Franchisedirect (2012), fifteen years ago, relatively few franchisors were operating globally, and the ones that had gone international were typically the very large ones. By early 2011, 32 percent of the franchise units operated by the top 200 franchisors in the United States were located outside the country. It was a 33 percent increase in the total of international units operated by those franchisors over the last decade.

In Latin American countries or in China, according to a report by Franchisedirect (2012), firms are likely to run business based on their personal relationships, not on contractual obligations. The emerging markets, typically the first countries to be in mind are the larger ones such as the “BRIC” countries of Brazil, Russia, India and China, along with maybe a couple others (Franchisedirect, 2012). McDonald’s as the leading global food service retailer is now serving nearly 68 million customers in 119 countries every day in which 85% of its restaurants are franchised (Aboutmcdonalds, 2012). It includes BRIC countries. In China, McDonald’s is operated by several companies, where in India, it’s operated by two companies.

1.2. McDonald’s and China Franchising Industry

According to Franchise (2012), franchising first emerged in China in the late 1980s. It experienced a period of disordered development in the early days. In the poor legal environment, some franchisors conducted substandard business or even defrauded franchisees of money. In some cases, franchisees delayed payments to the franchisors or infringed on their intellectual property rights. In 1997, the Ministry of Internal Trade established the first Chinese franchise law, the Regulation on Commercial Franchise Business, which included guidelines on such issues as trademarks, copyrights, and intellectual property protection (Franchise, 2012).

The first McDonald's in mainland China was opened in October 1990 in the city of Shenzhen, Guangdong province, three years after KFC's first Chinese outlet was opened in Beijing in 1987 (Wikipedia, 2012; Franchise, 2012). However, within two years, in 1992, the world's largest McDonald's opened in Beijing with over 700 seats (Wikipedia, 2012). According to McDonald's China, in 2011, Shanghai McDonald's successfully opened 200 new restaurants in China, crafting a new record as the McDonald's the world's third-largest market. McDonald's will remain to increase investment in China. The total investment in China in 2012 is expected to grow by 50% over last year that is mainly used for the opening of a new restaurant, upgrading existing restaurant image and expanding more convenient services. The company plans to open 225-250 new restaurants in 2012 (McDonalds China, 2012).

1.3. McDonald's and India Franchising Industry

According to market intelligence firms Euro monitor and RNCOS, India's food franchise market is growing at an astonishing 25-30% year-over-year, and hasn't been affected by the economic downturn happening elsewhere in the world (Fransmart, 2012). Even at that trajectory rate, according to Fransmart, there is still a gap that continues to widen in India – between the under-supply of quality food franchise offerings and the increasing demand of India's largest consumer base. With this growth, it represents various opportunities for many foreign international brands to open businesses in India. According to Franchising World Top 100 annual survey, which included over 1000 franchise brands currently in India, this growth rate will continue to rise at the same pace for the next coming years. The report also highlighted that franchising was one of the most ideal method of expanding business and brands within the Indian consumer market (Franchise Business, 2012).

Moreover, the franchise industry in India has been growing at an optimistic speed and most of the brands have been choosing for the franchise means to tap the massive Indian consumer market (Franchise Business.com). Dale Tasharski, Deputy Commercial Counselor at the U.S. Embassy in New Delhi, reports that citizens under the age of 35 represent a staggering 71% of the population in India. This emerging Indian middle class is well educated, modern and social. They are the new peak earners in the booming India economy, and they love US food franchise brands. This presents an unprecedented opportunity for growth-minded US food franchises and well-capitalized entrepreneurs, investors, and restaurant operators in India to work together to profit from the growing gap between food franchise supply and demand (Fransmart, 2012). In 1996, for the first time, McDonald's entered India market by opening its first outlet in New Delhi (Wikipedia, 2012).

2. McDonald's Marketing Mix

Vignali (2001) argued that the key to global success of McDonald's has been the use of franchising in which the delivery and interpretation of US brand culture are automatically translated by the local people in terms of product and service. Once its key audiences have been identified, McDonald's has to ensure the marketing mix (namely product, price, promotion, and place) is created that appeals specifically to those people (McDonald's UK, 2012). In general, McDonald's marketing strategy is to standardize the products and services. However, in some countries like India, McDonald's has to adapt with religious laws and local customs (Vignali, 2001; Goodstein, 2001; Goyal & Singh, 2007).

2.1 Product

According to McDonald's UK (2012), the crucial thing to note when offering menu items to potential customers is that there is a huge amount of choice available to those potential customers with regard to how and where they spend their money. Therefore McDonald's places considerable emphasis on developing a menu which customers want. Market research is very crucial in this regard. However,

customers' requirements may change over time. Understanding the product life cycle and continuous monitoring on customers' preferences are the key factor for the company (McDonald's UK, 2012). In order to meet those changing preferences, McDonald's has to introduce new products and phase out old ones over time.

2.2 Promotion

McDonald's promotion covers all means of marketing channels including advertising, sales promotions, point of sale display, merchandising, direct mail, telemarketing, exhibitions, seminars, loyalty schemes, door drops, and demonstrations (McDonald's UK, 2012). Advertising is conducted on TV, radio, in cinema, online, using poster sites and in the press for example in newspapers and magazines. Key objectives of advertising are to make people aware of a product or service, feel positive about it and remember it.

2.3 Price

There are a number of possible pricing strategies. According to McDonald's UK (2012), the customer's perception of value is an important determinant of the price charged. Customers draw their own mental picture of what a product is worth. The bad thing of using low price as a marketing strategy is that the customer may consider that a low price is indicative of compromised quality. When we decide on the price, we must be fully aware of the brand and its integrity. Otherwise, we will be reducing the profit margin without increasing the sales.

2.4 Place

The place is where the customer receives the product and service. Place, as an element of the marketing mix, according to McDonald's UK (2012), is not just about the physical location or distribution points for products. It incorporates the management of a range of processes involved in bringing products to the end consumer.

3. Comparing Marketing Mix Strategy between China and India

McDonald's is practicing franchising as its business strategy to internationalization. McDonald's branches worldwide have its different and similar features in running the operation. For instance, McDonald's China and India are different in culture and norms, but they still have some similarities in the 4P's marketing mix implementation. Due to the franchisor control over the decision making of the business operations, some of the original concepts still put into practice in different geography area across China and India. For instance, the core products of McDonald's in its menu is burger (with various flavor of burger), french-fries, soft drink and desserts. This menu is still applied for all McDonald's restaurants in China and India.

In terms of service, McDonald's implements self-service concept, where customers make order in front the counter, pay and carry the foods to dine-in or take away by themselves. In terms of place, the same decoration either interior or exterior for all McDonald's outlets worldwide is also implemented in China and India. However, table 1 summarizes some differences of McDonald's marketing mix strategy in China and India.

Table 1. Summary of marketing mix strategy of the study

MARKETING MIX	CHINA	INDIA
Product and Service	<ul style="list-style-type: none"> Preference and culture - Adopt beef, pork, fish and chicken. Taste - Less salty, less fried and less spicy. Product Division - Depend on different provinces. 	<ul style="list-style-type: none"> Preference and culture - Took chicken but neither beef nor pork. Taste - Prefer spicy, example: McCurry Product Division - Vegetarian and non-vegetarian
Price	<ul style="list-style-type: none"> Price setup is quite higher compare with normal fast food restaurants. Lightly adjust the price in difficult time. No price segmentation. 	<ul style="list-style-type: none"> Implemented pricing strategy to fix to the different market segment. Prime value product (Branded Core Value) serve for middle class and economy value product (Branded Affordability) focus to lower class of the customers.
Place	<ul style="list-style-type: none"> Formerly rules strict the basic requirement of choosing outlet location is more than 50,000 residents within 5km radius. Now revised to allocate the outlet with built in the bustling commercial area. 	<ul style="list-style-type: none"> The outlets are very evenly spread throughout the cities and high accessibilities location.
Promotion	<ul style="list-style-type: none"> Method - More to network and internet Target and Aims - New and younger generation Others - Utilize the network facilities and creating various function activities to attract younger customer participation. Attract new and younger customer which may lead to whole family consumption behavior. 	<ul style="list-style-type: none"> Method - More to traditional and printing media Target and Aims - Children and kids Others - Make awareness of the item, creates positive felling, and tries to remain the positive image in people mind.

4. Conclusion

This study found that McDonald's has adopted different approach of its 4P marketing mix in their China and India outlets. The approaches are very greatly depending on their localization strategy and globalization strategy. In general, McDonald's menu tends to be standard in all its products and services, for example burger or sandwich, fries, and a drink (Coca-Cola) for its main course. But when it comes to specific countries where religious laws and customs are quite sensitive such as China and India, it requires localization approach.

McDonald's 4P's marketing mix strategy implementation is closely related to its customers' preference fulfillment. In China and India, McDonald's is also successful in identifying and making proper changes to suit with the local customer needs and requirement. In terms of products, McDonald's China uses beef, pork, fish, and chicken for burger with less spicy but in India, it has to avoid using beef and pork in its burger products. Only in India, McDonald's serves vegetable McNuggets and a mutton-based Maharaja Mac. Such differences are taken in the country to appreciate Hindus who do not eat beef or Muslims who do not eat pork. In terms of pricing strategy, McDonald China does not apply market segmentation as compared to McDonald's India. For place element, McDonald China prefers location at busy commercial areas with well-developed premises, whereas in India the outlets are spread throughout the cities. In India, McDonald's still prefer traditional and printed media for promotion whereas in China the promotion uses network, social media, and the internet as its preference. The targeted customers for promotion are also different between China and India. McDonald's India is targeting children in their advertisement whereas teenager and youth become the main targeted customers for McDonald's China.

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